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Parish Clerk
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Our Ref: LCTRS/PA1

16 November 2021

Dear Parish Clerk,

Consultation on proposed changes to South Derbyshire's Local Council Tax Reduction Scheme

South Derbyshire District Council is currently consulting on options to update the district's Local Council Tax Reduction Scheme for working-aged people. The scheme supports residents who are on a low income by reducing the amount of council tax they have to pay in line with their income. The council tax support scheme for those of pension age is a national scheme and is not affected by these proposals.

Because parish councils are not a major preceptor and, in line with legislation, do not share in any surplus or deficit on the district's collection fund, the changes **will not affect your parish precept**. That said, it is important that you are aware of and have opportunity to feed into the changes.

The proposed changes aim to deliver the following:

- **Benefits for residents** Fairer distribution of support to the most financially vulnerable residents, less paperwork and confusion, more financial stability, and greater customer satisfaction.
- **Benefits for the Council** More streamlined administration, less debt recovery carried out with vulnerable residents, update of the scheme in line with changes introduced by welfare reform and Universal Credit (UC).

Attached is a booklet that explains the proposed changes in detail, including the potential direct impacts of each of the potential changes, which include (see overleaf):



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1. Removal of the 8.5% and 10% baseline. See page 3 of the enclosed booklet

The Council currently expects the most financially vulnerable people to pay either 10.5% or 8.5% towards their council tax. It also invests significant resource chasing people who simply can't pay, as opposed to don't want to pay. This can lead to financial hardship and mental health strain for customers.

2. Introduction of a standard £5 non-dependent deduction. See page 4 of the enclosed booklet

A non-dependent is an adult who lives with a council taxpayer but is not their partner. Under the current scheme, a deduction is taken from the support the council taxpayer receives which differs depending on the income of the non-dependent adult. Introducing a standard deduction (regardless of the income of the non-dependent) would significantly simplify administration.

3. Treat a claim for Universal Credit as a claim for council tax support. See page 5 of the enclosed booklet

Currently Universal Credit claimants have to submit a separate claim for council tax support, leading to more paperwork, more confusion and delayed claims. Treating them as one claim will make the process faster and get money to people quicker. It would put some claims into payment quicker, but as the Council currently backdates claims up to six months the overall additional cost would be negligible.

4. Removal of Second Adult Rebate. See page 6 of the enclosed booklet

In the current scheme support is provided to sole council taxpayers whose income is too high to qualify for other support, but who share their home with another adult on a low income, such as a grown-up child. This is known as Second Adult Rebate and reduces residents' council tax bills by up to 25%. The removal would mean that any resident currently receiving Second Adult Rebate would only receive support if their own financial circumstances made them eligible.

5. Introduction of a minimum award. See page 7 of the enclosed booklet

Currently the Council processes payments and changes for customers who claim as little as a few pence a week. This is costly to administer in terms of staff time. Setting a minimum payment (for example £1 a week) could help to streamline the system. This change would impact a set of customers who only claim very little support.

6. Introduction of a banded scheme. See page 8 - 11 of the enclosed booklet

In the current scheme if a claimant's salary alters (for example they work a few more or a few less hours), their council tax support has to be reprofiled which can result in a resident receiving an amended award each month. This is both costly to administer and confusing to residents. Introducing a banded scheme means that if a claimant or their partner varies their income within a band, the council tax support they receive will not change, and their council tax bill will not be reprofiled. As such banded schemes can provide greater stability from month-to-month.

Some banded schemes take all earnings into consideration, whilst others take excess income into account. By taking excess income into account, such schemes retain the concept of 'applicable amounts' (i.e., the minimum amount the government says someone needs to live on). When looking at excess income, the Council will not take into consideration income such as Personal Independence Payments (PIP) or Disability Living Allowance (DLA), so vulnerable groups would be protected.

Claimants without excess income would be placed in the lowest band/receive the most help. The alternative is to retain the current tapered scheme.

7. Other changes. See page 11 of the enclosed booklet

The consultation also includes proposed changes that aim to simplify the scheme's regulations so they are easier to understand and remove outdated legislation, so that the scheme aligns with other welfare benefits. This includes updates in relation to mixed ages couples, the two-child limit, notional income, notional capital, deprivation of capital and diminishing capital and diminishing notional capital.

Costs of proposed changes

With regards to the costs of the potential changes, it is estimated if all are accepted, together they could represent a 4% increase (approx.) to the overall cost of the scheme. This would currently increase the annual cost of the scheme by £100,000 to £120,000. The increase in cost of any changes would also need to be borne across any growth or change in caseload in future years.

The cost of the scheme, and any increase in cost, will be borne by all major precepting authorities (not including parish councils) in accordance with their share of the council tax collected by SDDC. This is because the schemes mean the Council has to collect less council tax from fewer residents, so the cost of the scheme manifests as income forgone. However, this cost will be immaterial in the overall collection fund and will effectively be contained in the surplus balance declared on the fund each year.

About the consultation and possible roll-out

The Council is consulting widely in relation to the proposed changes. This includes:

- Writing to all precepting authorities
- Writing to all current claimants
- Contacting all council housing tenants
- Working with the CVS to consult with local groups and representative bodies
- Consulting with all councillors
- Consulting staff

The consultation period is open between **22 October 2021 and 14 January 2022**. An interim report will be presented to the Council's Finance & Management Committee on 13 January 2022 that will outline the likely changes the Council will aim to take forward, based on consultation results received.

The final proposed scheme will be presented to F&M Committee on 10 February 2022 and Full Council on 23 February 2022. If approved, the new scheme will go live from 1 April 2022 and the impact of the changes will be included in claimant's Council Tax bills from April 2022.

How to give your views

As a precepting authority, it is important that we seek your views in relation to the proposed changes.

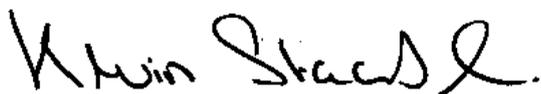
Ideally, we would very grateful if you could let us have your views no later than 30 November 2021, so that they can be fed into and inform the report to Finance & Management Committee in January 2022.

If you cannot respond by the end of November, the formal deadline for all responses is 5pm 14 January 2022.

Please send your views by email to ctrs-consultation@southderbyshire.gov.uk.

Alternatively, if you would like to discuss the proposals in more detail, please email me at kevin.stackhouse@southderbyshire.gov.uk and I will set up a meeting to discuss the proposals with you and the team.

Kind regards,

A handwritten signature in black ink that reads "Kevin Stackhouse". The signature is written in a cursive, slightly slanted style.

Kevin Stackhouse
Strategic Director, Corporate Resources and Section 151 Officer